

TOWN OF DUSTIN, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees  
Town of Dustin, Oklahoma

I was engaged to audit the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Town of Dustin, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

The Town failed to maintain sufficient support for expenditures and revenue. We were unable to obtain sufficient support from other sources.

### Disclaimer of Opinion

Because of the significant matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the Town of Dustin, Oklahoma.

### Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

## Other Matters

### Other information

The Town of Dustin, Oklahoma has not presented Management's Discussion and Analysis or General Fund budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 15, 2016, on my consideration of Town of Dustin's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dustin, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
February 15, 2016

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
JUNE 30, 2014

	<u>Primary Government</u>		
	<u>Business</u>		
	<u>Governmental</u>	<u>Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 25,229	\$ 13,059	\$ 38,288
Investments	5,209	3,335	8,544
Due from other funds	1,600	(1,600)	-
Total current assets	<u>32,038</u>	<u>14,794</u>	<u>46,832</u>
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	<u>33,423</u>	<u>695,739</u>	<u>729,162</u>
Total non-current assets	<u>33,423</u>	<u>695,739</u>	<u>729,162</u>
 Total assets	 <u>65,461</u>	 <u>710,533</u>	 <u>775,994</u>
<b>LIABILITIES</b>			
Current liabilities:			
Utility deposits	<u>-</u>	<u>14,165</u>	<u>14,165</u>
Total current liabilities	<u>-</u>	<u>14,165</u>	<u>14,165</u>
 Total liabilities	 <u>-</u>	 <u>14,165</u>	 <u>14,165</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	33,423	635,704	669,127
Unrestricted	<u>32,038</u>	<u>60,664</u>	<u>92,702</u>
 Total net position	 <u>\$ 65,461</u>	 <u>\$ 696,368</u>	 <u>\$ 761,829</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Function/Programs					
Governmental activities					
General government	\$ 51,895	\$ -	\$ -	\$ -	\$ (51,895)
Cemetery	1,733	2,025	-	-	292
Public Safety	-	-	-	-	-
Street & Alley	38,480	28,593	-	-	(9,887)
Total governmental activities	<u>92,108</u>	<u>30,618</u>	<u>-</u>	<u>-</u>	<u>(61,490)</u>
Business-type activities					
Public Works Authority	<u>109,776</u>	<u>87,004</u>	<u>-</u>	<u>-</u>	<u>(22,772)</u>
Total business-type activities	<u>109,776</u>	<u>87,004</u>	<u>-</u>	<u>-</u>	<u>(22,772)</u>
Total primary government	<u>\$201,884</u>	<u>\$117,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84,262)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	\$ (61,490)	\$ (22,772)	\$ (84,262)
General revenues			
Taxes			
Sales tax	37,328	-	37,328
Franchise tax	4,515	-	4,515
Cigarette tax	454	-	454
Interest	12	-	12
Other revenue	<u>13,917</u>	<u>-</u>	<u>13,917</u>
Total general revenue	<u>56,226</u>	<u>-</u>	<u>56,226</u>
Change in net position	(5,264)	(22,772)	(28,036)
Net position - beginning	<u>70,725</u>	<u>719,140</u>	<u>789,865</u>
Net position - ending	<u>\$ 65,461</u>	<u>\$ 696,368</u>	<u>\$ 761,829</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	Grant Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,638	\$ -	\$ 17,591	\$ 25,229
Investments	-	-	5,209	5,209
Due from other funds	-	-	1,600	1,600
<b>TOTAL ASSETS</b>	<u>\$ 7,638</u>	<u>\$ -</u>	<u>\$ 24,400</u>	<u>\$ 32,038</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,600	1,600
Assigned	-	-	22,800	22,800
Unassigned	7,638	-	-	7,638
<b>TOTAL FUND BALANCES</b>	<u>7,638</u>	<u>-</u>	<u>24,400</u>	<u>32,038</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,638</u>	<u>\$ -</u>	<u>\$ 24,400</u>	<u>\$ 32,038</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

Total fund balance \$ 32,038

Amounts reported in the statement of net position are  
different because:

Capital assets used in governmental activities are  
not financial resources and therefore are not  
reported as assets in governmental funds.

Capital assets	48,368	
Accumulated depreciation	<u>(14,945)</u>	<u>33,423</u>
Total net position		<u>\$ 65,461</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	General Funds	Grant Funds	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 42,297	\$ -	\$ -	\$ 42,297
Investment	12	-	-	12
Other revenue	<u>38,230</u>	<u>-</u>	<u>6,305</u>	<u>44,535</u>
Total revenue	<u>80,539</u>	<u>-</u>	<u>6,305</u>	<u>86,844</u>
Expenditures				
Current				
Administration	53,628	-	-	53,628
Cemetery	-	-	-	-
Street & Alley	23,535	-	-	23,535
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>77,163</u>	<u>-</u>	<u>-</u>	<u>77,163</u>
Net change in fund balances	3,376	-	6,305	9,681
Fund balances, beginning	<u>4,262</u>	<u>-</u>	<u>18,095</u>	<u>22,357</u>
Fund balances, ending	<u>\$ 7,638</u>	<u>\$ -</u>	<u>\$ 24,400</u>	<u>\$ 32,038</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF DUSTIN, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds	\$	9,681
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net position and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(14,945)		
Capital outlay	-	(14,945)	

Change in net position	\$	<u>(5,264)</u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Public Works <u>Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 13,059
Investments	<u>3,335</u>
Total current assets	<u>16,394</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>695,739</u>
Total non-current assets	<u>695,739</u>
Total assets	<u>712,133</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	1,600
Utility deposits	<u>14,165</u>
Total liabilities	<u>15,765</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	635,704
Unrestricted	<u>60,664</u>
Net position of business-type activities	<u><u>\$ 696,368</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 87,004
Other	<u>-</u>
Total operating revenues	<u>87,004</u>
<u>OPERATING EXPENSES</u>	
Salaries and taxes	25,748
Water Purchases	43,200
Maintenance and Operations	21,596
Depreciation	<u>19,232</u>
Total operating expenses	<u>109,776</u>
Operating income (loss)	<u>(22,772)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	<u>-</u>
Total non-operating revenue (expenses)	<u>-</u>
Change in net position	(22,772)
Total net position, beginning	<u>719,140</u>
Total net position, ending	<u><u>\$ 696,368</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works <u>Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 87,004
Cash payments to employees	(25,748)
Cash payments to suppliers for goods and services	<u>(64,797)</u>
Net cash provided (used) by operating activities	<u>(3,541)</u>
Net increase in cash and cash equivalents	(3,541)
Cash and cash equivalents, beginning	<u>16,900</u>
Cash and cash equivalents, ending	<u><u>\$ 13,359</u></u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ (22,772)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	19,232
Changes in assets and liabilities:	
Increase in due to other funds	-
Increase in utility deposits	<u>-</u>
Net cash provided by operating activities	<u><u>\$ (3,541)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Dustin, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, utilities, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Dustin Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Dustin Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. For the fiscal year ending June 30, 2014, the Town failed to prepare and submit an annual budget as is required by the Oklahoma Municipal Budget Act.

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2014 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.



TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than buildings	20-50
Furniture , machinery, and equipment	5-10
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2014, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$38,288 at June 30, 2014. The bank balance of the deposits at June 30, 2014 was approximately \$38,288.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2014.

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2014, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

**Note C - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at June 30, 2014 are as follows:

Reconciliation to Fund Financial Statements	Due From Other Funds	Due To Other Funds
Governmental Funds	\$ 1,600	\$ -
Enterprise Funds	-	1,600
Total	<u>\$ 1,600</u>	<u>\$ 1,600</u>

**Note E - CAPITAL ASSETS**

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				Capital Assets Not Depreciated
	Buildings	Infrastructure & Furniture, Improvements Other Than Buildings	Machinery, And Equipment	Totals	Land
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2013	\$ -	\$ 39,842	\$ 23,471	\$ 63,313	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	-	39,842	23,471	63,313	-
Accumulated Depreciation					
Balance, June 30, 2013	-	4,804	10,141	14,945	
Increase	-	4,804	10,141	14,945	
Decreases	-	-	-	-	
Balance, June 30, 2014	-	9,608	20,282	29,890	
Governmental activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 3,189</u>	<u>\$ 33,423</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2013	\$ -	\$1,019,217	\$ 81,432	\$1,100,649	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	-	1,019,217	81,432	1,100,649	-
Accumulated Depreciation					
Balance, June 30, 2013	-	306,411	79,267	385,678	
Increase	-	15,993	3,239	19,232	
Decreases	-	-	-	-	
Balance, June 30, 2014	-	322,404	82,506	404,910	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 696,813</u>	<u>\$ (1,074)</u>	<u>\$ 695,739</u>	<u>\$ -</u>
<b>PRIMARY GOVERNMENT</b> Capital Assets, Net	<u>\$ -</u>	<u>\$ 727,047</u>	<u>\$ 2,115</u>	<u>\$ 729,162</u>	<u>\$ -</u>

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ -	Utilities Authority	\$ 19,232
Street	14,945		
Police	-		

Note M - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years

TOWN OF DUSTIN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Provisions for:

Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2014	\$ 0	0%
2013	540	100%
2012	480	100%

**Note E - COMPENSATED ABSENCES**

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

**Note F - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note G - FEDERAL AND STATE GRANTS**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE Q - SUBSEQUENT EVENTS**

The Town has evaluated subsequent events and contingencies through February 15, 2016, the date which financial statements were available. The Town believes there are no items needing disclosure.

TOWN OF DUSTIN, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	<u>Street Fund</u>	<u>Police Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,861	\$ 333	\$ 5,397	\$ 17,591
Investments	-	-	5,209	5,209
Due from other funds	-	-	1,600	1,600
<b>TOTAL ASSETS</b>	<u><u>\$ 11,861</u></u>	<u><u>\$ 333</u></u>	<u><u>\$ 12,206</u></u>	<u><u>\$ 24,400</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,600	1,600
Assigned	<u>11,861</u>	<u>333</u>	<u>10,606</u>	<u>22,800</u>
<b>TOTAL FUND BALANCES</b>	<u>11,861</u>	<u>333</u>	<u>12,206</u>	<u>24,400</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 11,861</u></u>	<u><u>\$ 333</u></u>	<u><u>\$ 12,206</u></u>	<u><u>\$ 24,400</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DUSTIN, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Street Funds	Police Funds	Cemetery Funds	Total Nonmajor Funds
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Revenue	<u>4,280</u>	<u>-</u>	<u>2,025</u>	<u>6,305</u>
Total revenue	<u>4,280</u>	<u>-</u>	<u>2,025</u>	<u>6,305</u>
Expenditures				
Current				
Street & Alley	-	-	-	-
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,280	-	2,025	6,305
Fund balances, beginning	<u>3,848</u>	<u>333</u>	<u>13,914</u>	<u>18,095</u>
Fund balances, ending	<u>\$ 8,128</u>	<u>\$ 333</u>	<u>\$ 15,939</u>	<u>\$ 24,400</u>

The accompanying notes are an integral part of these financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the Board of Trustees  
Town of Dustin  
Dustin, Oklahoma

I was engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dustin, Oklahoma, modified cash basis, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements and have issued my report thereon dated February 15, 2016 which contained a disclaimed opinion and did not include Management's Discussion and Analysis or General Fund budgetary comparison.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Dustin, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Dustin, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Dustin, Oklahoma's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I identified deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1, 2014-2, 2014-3, 2014-4, and 2014-5 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dustin, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and question costs as items 2014-1, 2014-2, 2014-3, 2014-4, and 2014-5.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
February 15, 2016



TOWN OF DUSTIN, OKLAHOMA  
DUSTIN, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014

2014-1 Missing support for expenses paid.

Finding: The Town did not maintain complete support for all expenses paid.

Recommendation: The Town should retain all proper support for expenses until it is deemed acceptable to destroy them in accordance with an acceptable records retention policy.

2014-2 Missing support for revenue.

Finding: The Town does not maintain receipt book or other supplementary records in order to provide evidence that revenue was recorded accurately and completely.

Recommendation: The Town should maintain a receipt book in which all revenue received is receipted and compared to the revenue records on a regular basis in order to determine if revenue is recorded accurately and completely.

2014-3 Missing or incomplete purchase orders.

Finding: The Town does not utilize a proper and consistent purchase order system.

Recommendation: The Town should develop a proper and consistent purchase order system of controls which includes having the purchase order requested, completed, and approved prior to the expense being incurred.

2014-4 Transfer of funds to the Dustin New Age Nutrition

Finding: The Town transferred a total of \$3,025 in COEDD grant funds to Dustin New Age Nutrition/Dustin Senior Citizens. The transfers were not supported by documentation of board approval or proper expenditure support such as purchase orders and invoices from vendors or payment requests from recipients.

Recommendation: The board should approve all transfers and expenditures. All expenditures should be supported by purchase orders approved by the board and invoices from vendors or payment requests from recipients.

2014-5 Failure to file an annual budget

Finding: The Town failed to adopt an annual budget as per the *Municipal Budget Act*.

Recommendation: The Town should adopt an annual budget according to the requirements found in the *Municipal Budget Act* and control expenditures in order not to exceed the budget and any revisions to the budget.